

STATE LOTTERY DEPARTMENT

**REPORT ON APPLYING AGREED UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2005 THROUGH MARCH 31, 2006**





Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

June 7, 2006

Members of the Virginia State Lottery Board
900 East Main Street
Richmond, Virginia

Independent Auditor's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Virginia Lottery Department and the other member lotteries in the states of California, Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Texas, and Washington (referred to as the "Member Lotteries"), which operate Mega Millions, solely to assist the Virginia Lottery and Member Lotteries with respect to the evaluation of the following financial information associated with Mega Millions: Virginia Lottery's sales and prize expense for the period April 1, 2005 through March 31, 2006, and the Virginia Lottery's receivable or payable as of March 31, 2006. Virginia Lottery is responsible for its records of the financial information associated with Mega Millions. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

- A. We obtained from the Virginia Lottery the Mega Millions "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2005 through March 31, 2006, and attached those as Exhibit I and II, respectively. We verified the mathematical accuracy of the schedules.
- B. We randomly selected five Mega Millions drawings from the period April 1, 2005 to March 31, 2006, for testing as indicated in "C", "D", and "E" below.

May 13, 2005
July 19, 2005
September 23, 2005

November 18, 2005
February 07, 2006

- C. For each drawing selected in step “B” above, we compared the total amount of sales as shown on the daily sales report produced by the Virginia Lottery’s gaming system and the total amount of sales shown on the related daily sales report produced by the Internal Control System (ICS) with the balance listed in the “Sales” column for the respective week on the “Draw Activity” report attached as Exhibit I and found them to be in agreement.
- D. We calculated the total dollar amount of the fixed prizes for the drawings selected in step “B” above, based on the total number of winners from the Virginia Lottery’s gaming system for each prize level and the prize structure of Mega Millions’ fixed prizes (as defined in the official game rules). We compared the calculated expense with the amount listed in the “Actual Fixed Prizes” column for the respective drawing on the attached “Draw Activity” report and found them to be in agreement.
- E. For each drawing selected in step “B” above, we compared the amount of sales, actual fixed prizes, and share of fixed prizes shown on the “Draw Activity” report attached as Exhibit 1 to the amounts shown on the applicable Mega Millions Prize Settlement Reports and found them to be in agreement.
- F. For the period identified in step “B” above, we randomly selected two months and obtained the “Expired Prize Settlement Report” distributed by the Virginia Lottery. For the two months selected, we obtained from the Virginia Lottery ICS the actual fixed prizes awarded and the prizes unclaimed. We compared the ICS data back to the data reported from the Virginia Lottery for each draw of the subject months and found them to be in agreement.
- G. The amount shown as the total of the actual fixed prizes and the total of the share of fixed prizes on the “Draw Activity” report were compared to the applicable amounts shown on the “Fixed Prize Analysis” (Exhibit II) and were found to be in agreement.
- H. For each amount (if any) listed in the “Cost of Jackpot Prizes” column on the attached “Draw Activity” report, we compared the “cost of jackpot prize” amount to the Virginia Lottery’s cash disbursement subsidiary records, which summarize the funds disbursed to the prize winner and the broker from which the jackpot annuities were purchased and found them to be in agreement.
- I. For each purchase (if any) of investments associated with jackpot prizes, we obtained:
 - 1) broker confirmations and noted that the investments were properly funded solely through the purchase of 100 percent United States Government STRIP Bonds;
 - 2) the bid sheets and supporting documentation and noted that the investments were purchased properly through a competitive bidding process involving a minimum of three primary brokerage firms; and

- 3) the Security Purchase report, which lists the results of the security purchase and verified that the information reported to the group is accurate, including the annuity factor for the non-winning bidders.
- J. We compared the total of the quarterly transfers to the Virginia Lottery for settlement of the fixed prize liability as shown in the Virginia Lottery's cash disbursement subsidiary records to the amount listed in the "Transfers" column on the "Fixed Prize Analysis" report attached as Exhibit II and found them to be in agreement.
- K. We compared the balance listed as the Virginia Lottery's receivable or payable as of March 31, 2006, for the fixed prizes as shown on the "Fixed Prize Analysis" report attached as Exhibit II to the Virginia Lottery's financial accounting records and to the Mega Millions Prize Settlement Report as of March 31, 2006, and found them to be in agreement.

We were not engaged to, and did not perform an audit or an examination, the objective of which would be the expression of an opinion on the specified financial information associated with Mega Millions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Virginia Lottery and Member Lotteries specified above and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

LCW/sks

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
DRAW ACTIVITY

EXHIBIT I

For the period ending March 31, 2006

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes Purchased by Virginia
04/01/05	\$ 1,457,817	\$ 173,343	\$ 272,291	\$ -
04/05/05	1,464,458	168,396	267,739	-
04/08/05	1,953,423	236,763	456,223	-
04/12/05	2,084,316	415,044	310,735	-
04/15/05	2,591,014	461,256	500,339	-
04/19/05	2,893,475	516,207	513,497	-
04/22/05	4,382,607	447,544	741,408	-
04/26/05	916,644	101,689	161,478	-
04/29/05	950,408	135,892	192,038	-
05/03/05	910,782	85,456	114,647	-
05/06/05	1,016,070	281,301	152,250	-
05/10/05	982,781	113,424	145,301	-
05/13/05	1,151,003	166,141	236,925	-
05/17/05	1,123,777	159,871	202,887	-
05/20/05	1,246,980	151,015	215,062	-
05/24/05	1,276,415	333,873	220,406	-
05/27/05	1,451,700	181,887	217,662	-
05/31/05	1,492,751	174,856	264,737	-
06/03/05	1,932,808	407,928	374,026	-
06/07/05	876,092	277,466	160,755	-
06/10/05	894,141	261,936	157,265	-
06/14/05	866,029	96,998	107,744	-
06/17/05	992,103	102,108	127,170	-
06/21/05	942,973	95,367	123,919	-
06/24/05	1,007,023	103,255	144,123	-
06/28/05	1,036,526	101,870	166,338	-
07/01/05	1,198,880	133,947	171,829	-
07/05/05	1,177,658	124,309	136,878	-
07/08/05	1,435,141	169,817	309,932	-
07/12/05	1,742,654	207,533	277,911	-
07/15/05	2,067,544	216,522	400,999	-
07/19/05	2,255,823	250,792	397,035	-
07/22/05	2,714,007	344,181	519,894	-
07/26/05	921,422	121,703	191,109	-
07/29/05	963,236	120,598	214,929	-
08/02/05	957,509	114,972	133,662	-
08/05/05	1,058,304	101,780	117,990	-
08/09/05	1,041,163	123,357	177,630	-
08/12/05	1,161,265	110,874	161,623	-
08/16/05	1,149,835	151,641	301,156	-
08/19/05	1,332,582	142,409	243,561	-
08/23/05	1,365,415	688,422	496,443	-
08/26/05	1,668,137	171,062	226,435	-
08/30/05	1,884,489	214,669	294,873	-
09/02/05	2,108,977	240,584	344,157	-
09/06/05	1,992,315	212,820	353,119	-
09/09/05	2,542,931	288,264	397,773	-
09/13/05	3,275,876	607,852	529,908	-
09/16/05	4,279,809	694,179	763,897	-
09/20/05	935,938	332,705	139,086	-
09/23/05	981,002	97,363	156,798	-
09/27/05	926,182	121,063	173,578	-
09/30/05	1,061,439	140,276	216,773	-
10/04/05	1,053,513	141,457	231,632	-

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
DRAW ACTIVITY
For the period ending March 31, 2006

EXHIBIT I

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes Purchased by Virginia
10/07/05	\$ 1,179,869	\$ 372,603	\$ 233,369	\$ -
10/11/05	1,194,107	609,510	265,851	-
10/14/05	1,438,351	182,061	208,854	-
10/18/05	1,644,534	192,285	406,043	-
10/21/05	1,962,829	234,878	362,445	-
10/25/05	1,774,595	463,592	316,008	-
10/28/05	2,011,752	226,453	343,901	-
11/01/05	2,083,792	249,508	368,638	-
11/04/05	2,582,176	274,676	377,108	-
11/08/05	3,096,091	921,131	766,650	-
11/11/05	3,697,599	680,186	563,109	-
11/15/05	5,253,717	924,702	906,737	-
11/18/05	1,080,969	124,110	151,410	-
11/22/05	986,585	123,549	168,065	-
11/25/05	982,139	96,532	186,639	-
11/29/05	1,084,072	114,319	217,743	-
12/02/05	976,843	124,012	154,284	-
12/06/05	890,355	143,141	190,898	-
12/09/05	965,189	118,075	162,230	-
12/13/05	970,028	186,987	226,986	-
12/16/05	1,042,328	115,548	175,912	-
12/20/05	1,084,295	111,561	166,742	-
12/23/05	1,257,793	131,959	150,264	-
12/27/05	1,149,241	405,416	230,697	-
12/30/05	1,401,030	144,224	260,545	-
01/03/06	853,337	134,031	146,389	-
01/06/06	903,296	113,850	158,144	-
01/10/06	818,778	340,501	191,294	-
01/13/06	929,971	631,702	172,518	-
01/17/06	861,756	95,359	141,463	-
01/20/06	974,417	108,703	123,823	-
01/24/06	951,014	96,560	131,338	-
01/27/06	1,073,393	156,526	303,201	-
01/31/06	1,089,426	119,702	130,037	-
02/03/06	1,265,674	138,224	252,789	-
02/07/06	1,243,973	120,241	275,953	-
02/10/06	1,645,545	406,472	270,185	-
02/14/06	1,582,126	188,287	276,686	-
02/17/06	2,340,721	564,310	448,744	-
02/21/06	2,270,786	496,521	463,335	-
02/24/06	3,503,682	735,878	755,205	-
02/28/06	4,493,430	741,566	769,002	-
03/03/06	1,274,917	177,057	243,580	-
03/07/06	1,104,718	119,617	159,943	-
03/10/06	1,195,476	128,820	211,788	-
03/14/06	1,168,189	124,507	260,406	-
03/17/06	1,300,074	173,328	214,594	-
03/21/06	1,255,643	446,769	289,598	-
03/24/06	1,439,910	181,084	272,180	-
03/28/06	1,474,009	156,155	210,359	-
03/31/06	1,761,219	217,243	336,991	-
Total	\$ 163,712,921	\$ 26,320,068	\$ 29,398,248	\$ -

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
FIXED PRIZE ANALYSIS
For the period ending March 31, 2006

EXHIBIT II

	Balance as of April 1, 2005 Receivable/ (Payable)	Prior Year Settlement Adjustment	Actual Prizes	Fixed Prizes	Share of Prizes	Fixed Prizes	Qtrly/Yrly Settlements Transfers In/(Out)	March 31, 2006 Receivable/ (Payable)
California	\$ -	\$ -	\$ -	-	\$ -	-	\$ -	\$ -
Georgia	(314,764)	-	40,562,392		38,048,731		2,813,681	(614,784)
Illinois	175,025	-	43,325,783		44,029,892		(352,113)	(176,971)
Massachusetts	81,043	-	22,347,687		24,319,928		(1,523,053)	(368,145)
Maryland	(104,401)	-	21,024,843		21,751,019		(500,833)	(329,744)
Michigan	(180,884)	-	42,417,028		43,313,228		(1,076,052)	(1,032)
New Jersey	(519,481)	-	58,148,533		59,393,363		(2,963,031)	1,198,720
New York	189,041	-	109,513,014		102,978,905		5,865,739	857,411
Ohio	400,284	-	39,628,651		40,163,933		11,430	(146,428)
Texas	(198,754)	-	38,920,949		37,969,102		1,107,503	(354,410)
Virginia	275,093	-	26,320,068		29,398,248		(2,653,944)	(149,143)
Washington	197,798	-	10,065,153		10,907,752		(729,327)	84,526
Total	\$ -	\$ -	\$ 452,274,101		\$ 452,274,101		\$ -	\$ -